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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

OCT 12 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
Telephone Number Portability) CC Docket No. 95-116
RM 8535

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REPLY COMMENTS OF TELEPORT COMMUNICATIONS GROUP INC.

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October 12, 1995

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TABLE OF CONTENTS

SUMMARY	i
I. COST/BENEFIT ANALYSES AND NUMBER PORTABILITY	1
II. COST RECOVERY MECHANISMS MUST BE PROVIDER-NEUTRAL . .	7
III. TIMING FOR IMPLEMENTATION	10
IV. SEPARATE STATE SOLUTIONS ARE NOT ACCEPTABLE	13
V. INTERIM SOLUTIONS WILL RETARD SERVICE PROVIDER NUMBER PORTABILITY	15
VI. THE COMMISSION SHOULD SOLICIT A RECOMMENDATION FROM INC	17
VII. CONCLUSION	19

SUMMARY

In their initial Comments, many Incumbent Local Exchange Carriers ("ILECs") attempt to maintain their existing monopoly power over local exchange customers by seeking to delay or frustrate the implementation of Service Provider Number Portability ("SPNP"). The Commission should not be deterred by the arguments of these ILECs.

What is at stake in this proceeding is the adoption of key rules that will help make local exchange competition economically and technically feasible, and the Commission's conclusion that service provider number portability is essential to that effort is well supported on the record. SPNP holds the promise of being as defining an event for the development of local competition as equal access was for the development of the competitive long distance market, and the Commission need not undertake any formal cost/benefit analysis to know that to be true. Moreover, undertaking such an analysis is not required, but would be a recipe for delay and confusion.

Any analysis that the Commission may perform of the benefits and costs of number portability should be done in tandem with, and on the same time table as, its consideration of the other issues in this proceeding. In any event, it is clear that the implementation of SPNP will pass muster under any such review. Indeed, based on the evidence of the ILECs' themselves, the economic benefit of SPNP appears to be no less than \$11.1 billion

per year, a figure that dwarfs any reasonable estimate of the costs of implementing number portability.

In sum, the initial comments confirm that the threshold conclusion of the Commission's NPRM -- that number portability is in the public interest and should be promptly implemented -- is clearly correct.

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REPLY COMMENTS OF TELEPORT COMMUNICATIONS GROUP INC.

Teleport Communications Group Inc. ("TCG"), pursuant to the Commission's July 13, 1995 Notice of Proposed Rulemaking in the above-captioned matter,¹ hereby offers the following reply comments.

I. COST/BENEFIT ANALYSES AND NUMBER PORTABILITY

Several Incumbent Local Exchange Carriers ("ILECs") seek to delay number portability by asking the Commission to first undertake a formal cost/benefit analysis before moving forward.² This tactic must be treated by the Commission for what it is: a clear attempt to postpone -- perhaps indefinitely -- the adoption of Service Provider Number Portability ("SPNP"). However, the Commission is not required to perform such an analysis before adopting number portability rules. It is sufficient if the

¹ Telephone Number Portability, CC Docket No. 95-116, Notice of Proposed Rulemaking (NPRM), FCC 95-284 (released July 13, 1995).

² See NYNEX Comments at 18-19; Bell Atlantic Comments at 1-2; SBC Communications Comments at 13-14.

Commission engages in reasoned decision making supported by the record in reaching its conclusions.³

What is at stake in this proceeding is the adoption of key rules that will help make local exchange competition economically and technically feasible. The Commission's conclusion that service provider number portability is essential to that effort is well supported by the record.⁴ Service provider local number portability holds the promise of being as defining an event for local competition as the implementation of equal access was in establishing a competitive long distance market. And just as the Commission did not perform a formal cost/benefit analysis in developing its equal access rules, so too the Commission need not undertake such an analysis to find that service number portability similarly would be in the public interest.

In the event that the Commission performs some kind of cost/benefit analysis, however, it should not undertake the process sequentially -- first do a cost/benefit analysis, then decide on rules -- as these ILECs suggest. Indeed, it would seem to be self-evident that the sequential approach recommended by those ILECs is unlikely to work, since to perform a cost/benefit

³ See, e.g., Motor Vehicle Mfrs. Ass'n v. State Farm Mutual Auto Ins. Co., 463 U.S. 29, 42-44 (1983).

⁴ See, e.g., Comments of the New York State Department of Public Service at 2-3; Comments of the Public Utilities Commission of California at 2; Illinois Commerce Commission Comments at 3-4; Missouri Public Service Commission Comments at 2-3; Public Utility Commission Comments of Ohio at 1; Ameritech Comments at 2; AT&T Comments at 2-7; MCI Comments at 2-3; Sprint Comments at 3-7; Time Warner Comments at 5-6; and MFS Comments at 2-3.

analysis one must first know what program has been selected so that its costs and benefits can be identified, something that the Commission cannot be expected to know at the outset. Rather, the Commission should collect information on the costs and benefits of the various number portability alternatives (some of which information will be common regardless of the technical solution pursued) as part of its ongoing inquiries in the proceeding.

More generally, the ILECs are confused about the distribution of costs and benefits without number portability. NYNEX suggests that there is no consumer benefit with SPNP because, it alleges, evidence suggests that customers are not willing to pay to keep their telephone number.⁵ However, since most customers have never had the opportunity to keep their telephone number and change local carriers, that assertion is meaningless. The real point is that ILEC customers do not have the option of true SPNP at any price. Therefore, the ability of these customers to change local carriers is severely restricted, and they are absorbing the cost of the lost opportunity to change carriers, while the ILECs reap the benefits of retaining customers who would otherwise be lost to superior alternatives if number portability were available.

The monetary value of the many consumer benefits of number portability is perhaps best indicated by the studies submitted by Pacific Telesis showing that, to offset the lack of number portability, new entrants would have to offer discounts of 11%

⁵ See NYNEX Comments at 8.

(in addition to any other discount the customer already receives) in order to attract customers.⁶ The value of the technological option of number portability is therefore identical to the discount required to offset its absence. If Pacific Telesis' numbers are correct, the monetary benefits of number portability would be at least \$11 billion -- 11% of the \$100 billion local would be telecommunications market -- **annually**.

It has been made abundantly clear by polls and surveys, federal legislators, state legislatures, state regulators, and the NARUC that consumers will benefit greatly from number portability.⁷ Consumers will avoid the direct cost of changing their stationery and business cards, the cost of changing advertising and marketing materials, and the inconvenience of notifying their callers of a new number.

Moreover, any cost analysis must start with the fact that the incremental costs of deploying SPNP will be relatively insignificant because the SS7, IN and AIN technologies upon which a database number portability solution depends are already being installed by carriers throughout the industry for purposes other

⁶ See Comments of Ad Hoc Coalition of Competitive Carriers at 6.

⁷ The U.S. Senate and House of Representatives have both passed bills in 1995 that would require full number portability. S. 652, 104th Cong., 1st Sess. (1995) § 241, H.R. 1555, 104th Cong., 1st Sess. (1995) § 251. In addition, Colorado, Florida, Georgia, Hawaii, Iowa, Minnesota, North Carolina, Tennessee, Texas, and Wyoming have enacted legislation in 1995 that explicitly requires their state utility commissions to address number portability.

than number portability.⁸ While RFPs have not yet been issued for the switch software changes that SPNP requires, opinions of participants in industry working groups suggest that these costs will not be significantly higher than normal switch upgrades. Estimates of these costs range from \$200,000 to \$400,000 per switch. Between 2000 and 4000 switches will have to be upgraded in 100 major markets. Thus, the switch-related costs -- which would largely be a one-time cost -- would range between \$400 million and \$1.6 billion.

Costs for the database management systems, according to initial estimates made by industry participants in number portability workshops and technical meetings, might be about \$5 million per state or \$255 million for the 50 states and the District of Columbia.

AT&T suggests that total costs will not exceed \$2 billion spread over several years.⁹ These costs clearly are far less than the benefits, and, phased in, would constitute annually only a small fraction of the ILEC annual revenues of approximately \$100 billion.

The Commission should also keep in mind that more detailed cost estimates will soon be available. The SPNP trial recently

⁸ The Missouri Public Service Commission agrees with the new entrants and long distance carriers on this point. See Missouri Public Service Commission Comments at 6-7.

⁹ AT&T Comments at 33, n. 36.

initiated in New York will accumulate cost data.¹⁰ The planned implementation of number portability in Illinois should also yield cost information. Actual major-market or nation-wide SPNP costs should also be far lower per subscriber line or per number ported than the SPNP costs of trials or state-specific implementation, owing to economies of scale. Basic start-up costs such as programming are non-recurring costs, and the major recurring costs, database upgrades, may be subject to automation.

Whatever the total SPNP costs are, the public interest objective -- and the Commission's mission -- must be to *manage* them, not to *avoid* them. Costs will be manageable under the phased-in approach recommended by TCG.¹¹ The costs will be insignificant compared to the \$100 billion annual revenues of the ILECs, and the ILECs will not bear all of these costs, since other industry participants will also have to implement number portability. Thus, if the Commission should decide to undertake a cost/benefit analysis, there is certainly no reason to delay the process of determining the best technical solution for SPNP, pending impossible *a priori* cost/benefit analyses, since the benefits clearly overwhelm even the highest estimate of costs.

¹⁰ See Proceeding on Motion of the Commission to Examine Issues Related to the Continuing Provision of Universal Service and to Develop a Framework for the Transition to Competition in the Local Exchange Market, Order Authorizing Trials of Service Provider Number Portability in Manhattan and Rochester, Case 94-C-0095, Issued and Effective Sept. 25, 1995, p. 6.

¹¹ TCG Comments at 11.

II. COST RECOVERY MECHANISMS MUST BE PROVIDER-NEUTRAL

Cost recovery mechanisms proposed by some (but interestingly, not all) ILECs would impose all or most of the costs of SPNP on new entrants.¹² NYNEX would make this burden even more onerous by making the customers of new entrants (but not their own customers) pay a surcharge for SPNP.¹³ These proposals do not withstand scrutiny.

The allocation of all SPNP costs to the subset of the industry that has the fewest switches to change (new entrants) would induce the other subset (ILECs) to increase its SPNP costs as much as possible. This is antithetical to the goals of minimizing costs and gaining efficiencies by utilizing the existing and planned network capabilities, features and functions as much as possible. Even if investment were cost-effective, new entrants with one-half of one percent of local revenues, would be bearing the costs imposed by the segment of the industry having 99.5% of total revenues -- hardly a fair or reasonable outcome.

As a practical matter, if only new entrants pay for SPNP, then any customer changing from a new entrant back to an ILEC would have to be denied SPNP, for otherwise the ILEC would be getting a free ride on the back of the new entrants.¹⁴ One-sided

¹² See, e.g., NYNEX's Comments at 21-22, SBC's Comments at 13.

¹³ NYNEX Comments at 22-23.

¹⁴ The NYDPS along with new entrants and long distance carriers, also commented that costs should be shared by all carriers, as in the case of equal access. See Comments of the New York State Department of Public Service at 10.

cost recovery proposals such as those put forth by NYNEX must fail, because they do not recognize that the world has changed, and that NYNEX is just one carrier (albeit a very large and powerful one) in an interconnected network of networks.

As a policy matter, any unequal cost recovery proposal, or any proposal that penalizes customers who seek to exercise their competitive choice, is clearly anticompetitive, and simply reflects the desires of monopolists to perpetuate their monopoly position.

SPNP is as essential to local exchange competition as equal access was to long distance competition. The implementation of equal access did not require customers to pay differentially for the opportunity to presubscribe to a competitive interexchange carrier, rather than to AT&T. Indeed, in the equal access context all customers were given an opportunity (with presubscription) to change carriers from AT&T to another competitor without charge -- only subsequent changes were chargeable events. There can be no doubt that the history of long distance competition would have been very different had consumers (directly or through their new carriers) been forced to pay high fees to switch from AT&T to an alternative, but that is precisely the type of market barrier that proposals such as NYNEX's are attempting to erect.

All consumers would benefit from the opportunity to have ported numbers, just as all consumers benefitted from long distance equal access. Indeed, even those consumers who remained

with AT&T after equal access became available benefitted from the lower prices that equal access encouraged in the interexchange market. The SPNP opportunity has a similar value for all consumers, so there is no justification for imposing SPNP costs on only some consumers.

Contrary to the suggestions of parties such as NYNEX, there is no need for the Commission to impose a uniform national cost-recovery mechanism for number portability. Such a pronouncement might impair state Commissions' rate making authority. Rather, the Commission should simply require that all internal costs of implementing number portability be borne by the carriers that incur them, since in the final analysis number portability is a network upgrade that all members of the industry will have to implement. This will induce all carriers to minimize costs, consistent with interoperability and other technical standards. How a particular carrier recovers its internal SPNP costs from its own customers is not a matter that the Commission should decide in this rulemaking.

On the other hand, a method to recover the costs incurred by third-party administrators to install and operate number portability databases could be determined in advance by the Commission, or be selected by the industry, with the Commission deciding only if the industry fails to agree by a date certain. MFS suggests a per-local-access-line or per-active-number

surcharge on all local service providers to develop the number portability systems.¹⁵

Any pricing mechanism should be usage-insensitive, should offer incentives to minimize costs, and should allocate the costs equitably among carriers in proportion to subscriber lines. At this time, TCG urges the Commission not to attempt to adopt a particular cost-sharing mechanism, but simply to articulate the principles of efficiency and fairness and direct the industry to propose a cost-recovery mechanism for the external costs of establishing SPNP. Should the industry fail to propose a fair and efficient mechanism -- an unlikely prospect in any event -- then parties would be free to raise the issue with the Commission.

III. TIMING FOR IMPLEMENTATION

The single most important spur to efficient number portability would be a requirement by the Commission that all carriers must provide SPNP in the largest 100 markets no later than 24 month after the issuance of an Order in this proceeding.¹⁶ The Commission should also require that, in

¹⁵ See MFS Comments at 13.

¹⁶ MFS suggests an even tighter time table: each LEC and CompLEC to provide number portability, including service portability and location portability, in at least one metropolitan area by March 31, 1997, in at least 35 markets by June 30, 1997; in at least 65 markets by August 31, 1997, and in the top 100 markets by October 31, 1997. MFS Comments at 8-9. TCG has no objection in principle to this tighter, staged time table, but fears that meeting it is not technically feasible especially if service portability and location portability are
(continued...)

response to a *bona fide* request by an eligible carrier, the incumbent carrier shall make number portability available in smaller markets within 24 months.

The parties that deny any particular need for the Commission to act promptly or to enunciate a timetable are predictably the very parties whose monopoly position is entrenched by the lack of SPNP, including most notably Bell Atlantic, NYNEX, Pacific Telesis, and SBC.¹⁷

Ameritech, while endorsing the concept of full number portability, is also in no hurry to see it put in place, claiming (contrary to basic common sense) that the lack of number portability is not a barrier to competition.¹⁸ Ameritech even asserts that the fact that competitors are applying for certification as local exchange carriers is evidence that "customer resistance to changing telephone numbers can and is being overcome through price, service and quality considerations and effective marketing techniques."¹⁹ In contrast, one of the

¹⁶ (...continued)
required. The Commission should not set such stiff requirements that the ILECs have an excuse to avoid simple SPNP.

It is noteworthy that the Commission similarly established a firm time table for transitioning to 800 data base access service in deciding to promote competition in 800 services. See Provision of Access for 800 Service, 6 FCC Rcd 5421, 5426 (1991).

¹⁷ See e.g., Bell Atlantic Comments at 8-9; NYNEX Comments at 7; Pacific Telesis Comments at 3-8; SBC Comments at 5-6.

¹⁸ See Ameritech Comments at 7.

¹⁹ See Ameritech Comments at 8. While Ameritech correctly points out that parties are applying for certification as
(continued...)

Commissions charged with regulating Ameritech -- the Illinois Commerce Commission ("ICC") -- states that "regional deadlines may be needed once it has been determined that number portability within a region is in the public interest."²⁰

TCG believes the Commission should make the required public interest finding in favor of adopting SPNP on a national basis, with a national target date for implementation. That should not interfere with the ICC's announced timetable or desire for a phased approach to number portability, nor will it prevent or delay implementation of number portability in Illinois. The need for the Commission to announce a date certain for the national implementation of number portability is underscored by the paucity of comments from other state PUCs indicating that they are moving forward swiftly to implement number portability. So long as solutions adopted in a state meet the requirements of the FCC for technical interoperability, network quality, and availability of features and functions, TCG sees no conflict between state objectives and a federally mandated time table.

¹⁹ (...continued)
alternative local exchange carriers, it fails to point out that very few *customers* are served by those new carriers. Indeed, a major barrier to the advancement of competition in the Ameritech region are the excessive reciprocal compensation rates put in place by Ameritech.

²⁰ See Illinois Commerce Commission Comments at 15.

IV. SEPARATE STATE SOLUTIONS ARE NOT ACCEPTABLE

Some parties commented that separate state solutions to number portability are acceptable.²¹ MCI recommends that the Commission encourage state commissions to make a decision on implementation of provider portability within one year after the release of the Commission's Order, stating that "mandating a nationwide solution may delay implementation of viable portability models ... already underway or under consideration in the states."²² MCI further suggests that state regulatory commission examination of technical proposals and market circumstances should determine which solution will be used in each state, and that a nationwide solution would be expensive, complex and time consuming.²³

When it comes to the implementation of number portability, TCG does not share MCI's faith that market forces and industry efforts will, absent a mandate, produce a standard number portability approach, or even produce approaches that can successfully coexist.²⁴ The simple fact is that the ILECs have every incentive not to cooperate in implementing SPNP in a timely and effective way. The worst scenario for a national local exchange carrier like TCG would be to face different number

²¹ See MCI Comments at 7-9; Ohio Public Service Commission Comments at 2-3.

²² See MCI Comments at 8.

²³ See MCI Comments at 19.

²⁴ See MCI Comments at 9.

portability software requirements in different states, or different requirements for each vendor's switches.

Moreover, TCG believes that absent a national standard, it would simply be too costly for each vendor to evaluate the proposals of other vendors and to test all proposals for interoperability, or to implement varying software designs from place to place.²⁵ As a practical matter, vendors will be reluctant to make necessary software upgrades unless they are assured a national market for the upgraded product. Vendors to ILECs may find it disadvantageous to make those upgrades if ILECs are not eager to purchase the new software. One need look no farther than the experience with 800 number portability to know that absent a mandate, industry has not shown itself sufficiently motivated to accomplish number portability.²⁶

The Commission should require that any solution adopted by any state be in compliance with the Commission's national standards. Further, the Commission should require all switch vendors to certify that they do meet the national standards and that their equipment will be satisfactory for interconnection to any other vendors' equipment for the purpose of number portability. Specifically, national standards must be established for digital end office and tandem switches, for

²⁵ See TCG Comments at 7-9.

²⁶ See Sprint Comments at 9-10.

Signal Transfer Point and SS7 network functionalities, and for Local Number Portability (LNP) database vendors.²⁷

**V. INTERIM SOLUTIONS WILL RETARD SERVICE
PROVIDER NUMBER PORTABILITY**

TCG notes with interest that SBC and Pacific Telesis share TCG's view that Remote Call Forwarding (RCF) and Direct Inward Dialing (DID) are not viable long-term solutions.²⁸ By contrast, NYNEX asserts that interim solutions compare favorably to the functionality proposed for long term solutions,²⁹ and Bell Atlantic asserts, contrary to fact (and common sense), that the shortcomings of RCF do not exist.³⁰

²⁷ TCG agrees with MCI and others on the appropriate industry role in developing the logical contents of any distributed LNP databases, subject to meeting the Commission's criteria. TCG also agrees that the Commission's standards should not artificially restrict the potential designs for the various database(s) of ported numbers. The industry itself will ultimately determine which of the various system designs -- a national database, regional databases, carrier databases -- will interact most efficiently, how to accommodate carriers too small to maintain their own databases, and the like.

²⁸ See SBC Comments at 16-18; Pacific Telesis Comments at 28-30.

²⁹ See NYNEX Comments at 9.

³⁰ See Bell Atlantic Comments at 5-7. Bell Atlantic seeks to make interim number portability solutions -- which require that all calls traverse the ILEC's network -- even more onerous by insisting that ILECs "should receive interstate access fees for [ported] calls routed to their networks." Id. Not only would such a position deny new competitors a substantial revenue source, it is inconsistent with the direction that state commissions are taking. For example, in a decision released only a few days ago the Connecticut Department of Public Utility Control declared that switched access revenues on interim number portability calls belong to the carrier to whom the number is being forwarded. See DPUC Investigation into the Unbundling of
(continued...)

The Commission should not concern itself with interim solutions, including "medium term" database solutions such as suggested by Time Warner,³¹ other than to mandate discounts for new entrants forced to purchase RCF or DID for lack of a SPNP solutions. Any interim solution merely deflects valuable resources from the effort to solve the system requirements of the long-term solution. The ILECs who have so clearly shown their desire to delay SPNP would surely use any interim solution as a vehicle for further delay. Additionally, the costs of the combined interim and long-term solutions could become excessive, in part because all the process-related methods and procedures needed to implement number portability would have to be developed and implemented twice.

Time Warner offers a reasonable incentive to Bell Atlantic and others who would prefer the status quo: not only should so-called "interim" number portability alternatives be offered free of charge (or, as TCG urged in its comments, at a deep discount), but also, no ILEC should receive pricing flexibility until it has provided SPNP.³² TCG urges the Commission to adopt one or all of the recommended incentives, without which the ILECs obviously will delay SPNP as long as they can.

³⁰ (...continued)
the Southern New England Telephone Company's Local
Telecommunications Network, Docket No. 94-10-02.

³¹ See generally, Time Warner's Comments.

³² See Time Warner's Comments at 15.

**VI. THE COMMISSION SHOULD SOLICIT A
RECOMMENDATION FROM INC**

Several parties suggest that the Industry Numbering Committee Number Portability Workshop ("INC") or the North American Numbering Council ("NANC") be chosen to develop an evaluation process for requests for proposals and that it solicit bids and select a vendor for the Service Management System (SMS).³³

Since there is presently no NANC, and when it has been established it will be charged with many and important other responsibilities, TCG urges the Commission not to add to NANC's defined areas of concern. Because the INC is dynamically analyzing the technical issues surrounding SPNP (also referred to in that committee as Local Area Number Portability or LANP), it would seem to be the obvious candidate from which the Commission could seek a recommended solution.³⁴

TCG makes this recommendation even though it appears at this time that the "LRN" solution holds the most promise of becoming the accepted solution. LRN permits processing to be performed by the next-to-last carrier. LRN seems to be effective in conserving numbering resources, and supports the continued availability of vertical features and advanced services for customers of all exchange carriers. LRN appears to lend itself

³³ AT&T Comments at 37; Pacific Telesis Comments at 13.

³⁴ See INC's PORT-82 which describes the latest enhancements to LANP, as well as PORT-83, 75, 71, 68, 61, 60, 59, 56, 49, 48, 39, 25, and 23.

to regional or market-by market roll-out, which will help minimize and spread out costs. Thus, at the present time "N-1" appears to be the optimal solution.³⁵

Nevertheless, having participated in the Seattle Trial, the New York Trial, the Illinois, Maryland and California task forces, and the INC, TCG has witnessed the continued improvement of proposed solutions as the result of both conceptualization and practical trials. The optimization process is sure to continue, and it is premature for the Commission to shut down the process by selecting a solution now.

Since parties are in strong disagreement over the optimal technical solution, it is all the more important that INC's recommendation be submitted by a date certain. TCG would recommend that INC's recommendation be due no later than May 1, 1996.

³⁵ "N-1" seems to have garnered the largest number of adherents to date. See, Comments of the New York Department of Public Service at pp. 8-9, AT&T's comments at pp. 22-23, MCI's comments at p. 18, Time Warner's comments at pp. 17-19, MFS' comments at 11-12.

VII. CONCLUSION

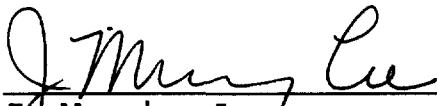
The Commission should not be deterred by the arguments of ILECs who seek to maintain their existing monopoly power over local exchange customers by seeking to delay or frustrate the implementation of SPNP. In particular, the ILECs who call for a formal cost/benefit analysis before the Commission moves forward with SPNP are presuming that the Commission needs to engage in such an exercise which, as TCG explains, it does not. Even if the Commission determines that it should make a cost/benefit finding, it should require the industry, as represented by the INC, to perform a cost analysis by placing "price tags" on the hardware, software and process elements of its recommended solution. This will enable the Commission to make its cost/benefit assessment in tandem with its consideration of the other issues in this proceeding. As TCG also explains, it is clear that the implementation of SPNP will pass muster under any cost/benefit review.

The initial comments confirm that the threshold conclusion of the Commission's NPRM -- that number portability is in the public interest and should be promptly implemented -- is clearly

correct. Accordingly, TCG requests that the Commission adopt rules in accordance with the positions taken by TCG herein.

Respectfully submitted,

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October 12, 1995

CERTIFICATE OF SERVICE

I, Janet Johnson, hereby certify that copies of the foregoing Reply Comments were served this 12th day of October, 1995, on the following by United States mail, postage prepaid:

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